

**Northwest Michigan Council
of Governments
Traverse City, Michigan**

FINANCIAL STATEMENTS

September 30, 2007

Northwest Michigan Council of Governments

TABLE OF CONTENTS

September 30, 2007

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-vii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Notes to Financial Statements	9-18
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	19-29
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	30-40
Schedule of Expenditures of Federal Awards	41-44
Notes to Schedule of Expenditures of Federal Awards	45
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	46-47
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	48-49
SCHEDULE OF FINDINGS	50
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	51

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

745 Barclay Circle, Suite 335
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwest Michigan Council of Governments
Traverse City, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Michigan Council of Governments as of and for the year ended September 30, 2007, which collectively comprise the Northwest Michigan Council of Governments' basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Northwest Michigan Council of Governments as of September 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2008, on our consideration of the Northwest Michigan Council of Governments' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying other supplementary information and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 19, 2008

Management's Discussion and Analysis For Fiscal Year Ended September 30, 2007

The Northwest Michigan Council of Governments is in its fifth year of implementing the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. This section of the annual financial statements, titled Management's Discussion and Analysis, represents the administration's review of the Council's financial performance during the year ending September 30, 2007, and is a requirement of GASB 34. The Management's Discussion and Analysis is intended to be read in conjunction with the Council's financial statements.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

Financial Highlights

- The assets of the Council exceeded its liabilities at September 30, 2007, by \$921,809 at the entity-wide level. Of this amount, \$777,627 (unrestricted net assets) may be used to meet the Council's ongoing obligations.
- The Council's total net assets decreased \$60,219 as a result of this period's operations.
- As of September 30, 2007, the Council's governmental fund reported an ending fund balance of \$1,073,748, an increase of \$39,967.
- As of September 30, 2007, the designated fund balance was \$233,228. The unreserved and undesignated fund balance was \$840,520.

Overview of the Financial Statements

The Northwest Michigan Council of Governments' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements provide information about the activities of the entire Council. They present an overall view of the Council's finances, reporting the assets and liabilities for the year ending September 30, 2007.

The statement of net assets present information on all of the Northwest Michigan Council of Governments' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the year ending September 30, 2007. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

The Northwest Michigan Council of Governments' offices are supported by governmental grants, donations, fees, rents, interest, and contributions. The governmental activities of the Council are all considered employment and training or planning programs. The Council does not operate any programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include only financial information related to the Northwest Michigan Council of Governments.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Northwest Michigan Council of Governments uses fund accounting to ensure and demonstrate compliance with program requirements. The Council operates with forty-seven funds, which are considered governmental funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 3-8 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-18 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning the activities of non-major governmental funds on pages 19-43. Other supplementary information concerning expenditures of federal awards can be found on pages 44-54 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Northwest Michigan Council of Governments, assets exceeded liabilities by \$921,809. The following table compares net assets data for 2007 to net assets data for the prior year, 2006.

	<u>2006</u>	<u>2007</u>	<u>Change 2006-2007</u>
Current assets	\$ 766,957	\$ 1,292,791	\$ 525,834
Noncurrent assets	1,367,905	1,311,342	(56,563)
Capital assets	<u>214,148</u>	<u>146,228</u>	<u>(67,920)</u>
Total assets	2,349,010	2,750,361	(401,351)
Current liabilities	816,136	1,370,331	554,195
Noncurrent liabilities	<u>550,845</u>	<u>458,221</u>	<u>(92,624)</u>
Total liabilities	<u>1,366,981</u>	<u>1,828,552</u>	<u>461,571</u>
Net assets			
Invested in capital assets	205,963	144,182	(61,781)
Unrestricted	<u>776,066</u>	<u>777,627</u>	<u>1,561</u>
Total net assets	<u>\$ 982,029</u>	<u>\$ 921,809</u>	<u>\$ (60,220)</u>

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) increased by \$1,561. This represents an increase of approximately .2 percent. The current level of unrestricted net assets for our governmental activities stands at \$777,627, or approximately 7.2 percent of annual expenditures. This is within our desired range.

The following table compares the changes in net assets for the year ended September 30, 2007 to changes in net assets for the year ended September 30, 2006.

	<u>2006</u>	<u>2007</u>
Program revenues		
Operating grants and other/contributions	\$ 8,708,242	\$ 9,983,213
Charges for Services	642,610	706,497
General revenue		
Interest	44,181	50,247
Gains on Investments	<u>6,014</u>	<u>12,410</u>
Total revenues	9,401,047	10,752,367
Program Expenses	<u>9,625,460</u>	<u>10,812,586</u>
Change in net assets	<u>\$ (224,413)</u>	<u>\$ (60,219)</u>

Financial Analysis of the Government's Funds

As noted earlier, the Northwest Michigan Council of Governments uses fund accounting to ensure and demonstrate compliance with program requirements.

Governmental Funds: The focus of the Northwest Michigan Council of Governments' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Northwest Michigan Council of Governments' financing requirements. In particular, unreserved-undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2007, the governmental funds reported an ending fund balance of \$1,073,748; an increase of \$39,967 from the prior year. Of this total, \$233,228 has been designated for vacation and personal leave. The unreserved and undesignated fund balance at September 30, 2007 was \$840,520.

As a measure of the governmental fund's liquidity, it may be useful to compare total fund balance and unreserved-undesignated fund balance to total fund expenditures. Total fund balance for 2007 represents approximately 9.9 percent of total fund expenditures, while unreserved-undesignated fund balance represents approximately 7.1 percent of total expenditures.

Capital Asset and Debt Administration

Capital Assets: The Northwest Michigan Council of Governments' investment in capital assets as of September 30, 2007, amounts to \$146,228 (net of accumulated depreciation).

Long-term Obligations: The Northwest Michigan Council of Governments executed a loan agreement to finance a prepaid building lease in 1994. The Council executed a loan agreement to purchase an automobile in February 2003. As of September 30, 2007, the balance of the loans was \$315,885, a decrease of \$(88,131) from a year ago. The Council also has a long-term obligation related to compensated absences (e.g., unused vacation and personal leave). The total liability for this long-term obligation at September 30, 2006 was \$233,288, and at September 30, 2007 was \$233,228.

Economic Factors

From FY 06 to FY 07, the Northwest Michigan Council of Governments experienced a 21% increase in grant funding for employment and training programs primarily due to increased expenditure of WIA funds with less carryover, and also increased funding from the Workforce Investment Act for the Dislocated Worker program. Overall, Michigan's WIA Dislocated Worker allocation was higher because of its unemployment situation relative to all other states.

Combined with miscellaneous other changes in grant funding, the net effect for the COG was an increase of \$1,371,171 in grant funds from FY 06 to FY 07.

Requests for Information

This financial report is designed to provide a general overview of the Northwest Michigan Council of Governments' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Northwest Michigan Council of Governments located at 2194 Dendrinos Drive, Traverse City, Michigan, or, mailing address of P.O. Box 506, Traverse City, Michigan 49685-0506.

BASIC FINANCIAL STATEMENTS

Northwest Michigan Council of Governments

Statement of Net Assets

September 30, 2007

Assets

Current Assets

Cash

Petty Cash

\$ 2,000

Cash & Cash Equivalents

878,927

Accounts Receivable

TBAISD

23,869

State of Michigan

386,950

Other

1,045

Total Current Assets

1,292,791

Non-current Assets

Investments

1,060,396

Prepaid Lease - Net

250,946

Capital Assets - Net

146,228

Total Non-current Assets

1,457,570

Total Assets

\$ 2,750,361

Liabilities

Current Liabilities

Accounts Payable

NWMPIC

\$ 46,127

TBAISD

35,087

State of Michigan

879,954

Other

272,550

Accrued Wages

45,721

Notes Payable - Current Portion

90,892

Total Current Liabilities

1,370,331

Non-current Liabilities

Accrued Vacation & Sick Leave

233,228

Notes Payable - Non-current Portion

224,993

Total Non-current Liabilities

458,221

Total Liabilities

1,828,552

Net Assets

Invested in Capital Assets

144,182

Unrestricted

777,627

Total Net Assets

921,809

Total Net Assets and Liabilities

\$ 2,750,361

Northwest Michigan Council of Governments

Statement of Activities

For the Year Ended September 30, 2007

Expenses

Administration	\$ 697,756
Training	1,684,148
Services	6,426,443
Intensive	389,973
Core Services	1,261,059
Procurement	150,000
Interest on Long-term Debt	14,848
Amortization of Prepaid Lease	120,456
Unallocated Depreciation	67,903
	<hr/>
Total Expenses	10,812,586

Program Revenues

Grants	9,586,431
Rent	706,497
Other	396,782
	<hr/>
Total Program Revenues	10,689,710
	<hr/>
Net Program Revenues	(122,876)

General Revenues

Interest Earnings	50,247
Gains (Losses) on Investments	12,410
	<hr/>
Total General Revenues	62,657
	<hr/>
Change in Net Assets	(60,219)
	<hr/>
Net Assets, Beginning of Period	982,028
	<hr/>
Net Assets, End of Period	\$ 921,809
	<hr/>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2007

	<u>General</u>	<u>WIA Adult 06/07</u>	<u>WIA DW 06/07</u>	<u>WIA Youth 06/07</u>
<u>Assets</u>				
Cash				
Petty Cash	\$ 200	\$ -	\$ -	\$ -
Cash and Cash Equivalents	(44,028)	23,599	66,858	40,222
Accounts Receivable				
TBAISD	952	-	-	-
State of Michigan	-	-	-	-
Other	260	-	-	-
Investments	1,060,396	-	-	-
Total Assets	<u>\$ 1,017,780</u>	<u>\$ 23,599</u>	<u>\$ 66,858</u>	<u>\$ 40,222</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
NWMPIC	\$ 46,127	\$ -	\$ -	\$ -
TBAISD	-	-	-	-
State of Michigan	-	23,599	66,858	40,222
Other	33,612	-	-	-
Accrued Wages	45,721	-	-	-
Total Liabilities	125,460	23,599	66,858	40,222
Fund Balance				
Unreserved				
Designated for Accrued Vacation & Sick Leave	233,228	-	-	-
Undesignated, Reported in:				
General Fund	659,092	-	-	-
Special Revenue Funds	-	-	-	-
Total Fund Balance	<u>892,320</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities and Fund Balance	<u>\$ 1,017,780</u>	<u>\$ 23,599</u>	<u>\$ 66,858</u>	<u>\$ 40,222</u>

WIA DW 07/08	WF TANF	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,800	\$ 2,000
306,325	8,372	477,579	878,927
-	-	22,917	23,869
-	607	386,343	386,950
-	-	785	1,045
-	-	-	1,060,396
<u>306,325</u>	<u>\$ 8,979</u>	<u>\$ 889,424</u>	<u>\$ 2,353,187</u>
\$ -	\$ -	\$ -	\$ 46,127
5,670	8,979	20,438	35,087
300,655	-	448,620	879,954
-	-	238,938	272,550
-	-	-	45,721
<u>306,325</u>	<u>8,979</u>	<u>707,996</u>	<u>1,279,439</u>
-	-	-	233,228
-	-	-	659,092
-	-	181,428	181,428
<u>-0-</u>	<u>-0-</u>	<u>181,428</u>	<u>1,073,748</u>
<u>\$ 306,325</u>	<u>\$ 8,979</u>	<u>\$ 889,424</u>	<u>\$ 2,353,187</u>

Northwest Michigan Council of Governments

Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets

September 30, 2007

Total fund balance - governmental funds \$ 1,073,748

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 672,041	
Accumulated depreciation is	<u>(525,813)</u>	
		146,228

Prepaid lease that is being amortized over the life of the lease.

The cost of the prepaid lease is	1,806,825	
Accumulated amortization of prepaid lease is	<u>(1,555,879)</u>	
		250,946

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Notes payable	(313,839)	
Auto loan	(2,046)	
Compensated absences	<u>(233,228)</u>	
		<u>(549,113)</u>

Net assets of governmental activities \$ 921,809

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2007

	General	WIA Adult 06/07	WIA DW 06/07	WIA Youth 06/07
<u>Revenues</u>				
Grants	\$ -	\$ 975,477	\$ 1,216,218	\$ 827,313
Interest Earned	49,850	-	-	-
Gains (Losses) on Investments	12,410	-	-	-
Rent	706,497	-	-	-
Other	255,663	-	-	100
Total Revenues	1,024,420	975,477	1,216,218	827,413
<u>Expenditures</u>				
Administration	-	-	-	-
Training	-	517,722	373,806	-
Services	897,128	-	-	827,413
Intensive	-	109,390	184,129	-
Core Services	-	348,365	658,283	-
Procurement	-	-	-	-
Debt Service	102,979	-	-	-
Total Expenditures	1,000,107	975,477	1,216,218	827,413
Excess of Revenues Over (Under) Expenditures	24,313	-	-	-
Fund Balances, Beginning of Year	868,007	-	-	-
Fund Balances, End of Year	\$ 892,320	\$ -0-	\$ -0-	\$ -0-

WIA DW 07/08	WF TANF	Non-Major Governmental Funds	Total Governmental Funds
\$ 305,493	\$ 1,125,407	\$ 5,136,523	\$ 9,586,431
-	-	397	50,247
-	-	-	12,410
-	-	-	706,497
-	-	141,019	396,782
305,493	1,125,407	5,277,939	10,752,367
-	97,545	600,211	697,756
102,430	-	690,190	1,684,148
-	1,027,862	3,674,082	6,426,485
54,787	-	41,667	389,973
148,276	-	106,135	1,261,059
-	-	150,000	150,000
-	-	-	102,979
305,493	1,125,407	5,262,285	10,712,400
-	-	15,654	39,967
-	-	165,774	1,033,781
\$ -0-	\$ -0-	\$ 181,428	\$ 1,073,748

Northwest Michigan Council of Governments

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2007

Net change in fund balances - total governmental funds \$ 39,967

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ -	
Depreciation expense	(67,920)	
Amortization of prepaid lease	<u>(120,456)</u>	
		(188,376)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Notes principal and loan retirement	88,131
-------------------------------------	--------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued compensated absences	<u>59</u>	<u>59</u>
--	-----------	-----------

Change in net assets of governmental activities \$ (60,219)

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

The following Notes are an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

General Statement

The Northwest Michigan Council of Governments (the Council or NWMCOG) is a voluntary association of counties within the ten-county North West Michigan region. The Council was established in 1984 to assist local governments in planning for common needs, cooperating for mutual benefit, administering the Employment and Training programs, and coordinating for sound regional development. NWMCOG is a political subdivision that was organized pursuant to Public Act 7 and the State of Michigan under the Urban Cooperation Act of 1967. The Council's purpose is to provide employment and training programs, regional planning services, and other social programs for a ten-county region which includes Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee and Wexford Counties. These operations are reflected in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance in the General Fund. This fund is supplemented by Federal and State administered grant funds to permit the Council to undertake specific programs. These specific programs are reflected in the Special Revenue Funds in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Council relating to the funds included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

A. Reporting Entity

The Council's basic financial statements include the accounts of all Council operations. The criteria for including organizations within the Council's reporting entity, as set forth in NCGA Statement No. 3, "Defining the Reporting Entity"; primarily include the degree of oversight responsibility maintained by the Executive Board. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters. Each county is entitled to appoint one member from the county board of commissioners, preferably the chairperson, to the Council's board of directors, which is NWMCOG's policy making and governing body. Member governments and various local agencies for which grants and fundings are issued by the Council have not been included within the Council's basic financial statements because none of the criteria of NCGA Statement No. 3 have been met.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide financial statements) present information for the primary government. For the most part, interfund activity has been eliminated in the preparation of these statements.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all interest and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

The fund financial statements present the Council's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major funds of the Council are:

- a. The General Fund is the Council's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Work First TANF, WIA Adult 06/07, WIA Dislocated Worker 07/08, WIA Dislocated Worker 06/07, and WIA Youth 06/07, Funds are used to account for the operations of these programs, which provide employment, training and related services to eligible recipients. Revenues consist of Federal and State grants for eligible program expenditures.

Listed below are the acronyms used for the major and nonmajor funds.

SBDC	Small Business Development Center	WIA	Workforce Investment Act
MEDC	Michigan Economic Development Corporation	EDA	Economic Development Administration
TAA	Trade Act Assistance	TANF	Temporary Assistance for Needy Families
GF/GP	General Funds General Purpose	MRS	Michigan Rehabilitation Services
SBTDC	Small Business Technology Development Center		

C. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Council has elected not to follow subsequent private-sector guidance.

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

E. Leave Policies

The liability for employees' accumulated leave has been estimated using the *terminal payment method*. It includes an amount to reflect payroll taxes and is recorded in the government-wide financial statements.

Vacation Leave At the conclusion of the first year of employment 10 days of vacation leave will be available. During years two through five, an employee accrues 10 days per year; years six through fifteen, an employee accrues 15 days per year; years sixteen through twenty, 20 days per year. For each year of employment after twenty, an employee accrues 25 days per year.

Employees may accumulate a maximum of 20 days in the first five years of employment; 25 days in years six through fifteen; 30 days in years sixteen through twenty; and 40 days after twenty years of employment. Part-time employees accrue vacation leave on a pro-rated basis.

Sick Leave Employees accrue 12 days per year to be used as sick leave and may accumulate up to 180 days. Employees terminating employment in good standing are paid for unused sick leave at one-half of their prevailing wage rate.

Funeral Leave Employees receive paid leave of 3 to 5 days depending on the employee's relationship to the deceased.

F. Cash and Investments

The Council pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Cash consists of checking accounts and a money market fund.

Investments include bonds and mutual funds held by Fifth Third Investment Management and Trust Services. All bonds and mutual funds are stated at fair value.

G. Capital Assets

Capital assets include equipment and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisition is reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Vehicles	5 years
Equipment and computers	5 years

H. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

H. Long-Term Obligations (continued)

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

I. Budgets

The Council has developed a budget for the organization as a whole, which is approved by the Administrative Board. The budget is not prepared at the fund level, and as a result is not reported within these financial statements.

Note 2 - Cash and Investments

The Council utilizes various pooled cash accounts for approximately fifty-four funds. The Council's pooled cash accounts consist of a common checking account and a money market fund.

The Council's pooled cash accounts are utilized by the General Fund and Special Revenue Funds. Each fund's portion of these pooled accounts is included in the cash captions on the combined balance sheet.

In accordance with Michigan Compiled Laws, the Council is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Banker's acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

Note 2 - Cash and Investments (continued)

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental agency's are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of September 30, 2007, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ 874,002	\$ 877,505
Savings	<u>4,925</u>	<u>4,925</u>
	<u>\$ 878,927</u>	<u>\$ 882,430</u>

Deposits of the Council are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Council. As of September 30, 2007, the Council accounts were insured by the FDIC for \$100,000. The balances of the accounts totaling \$782,430 were considered to be uninsured and uncollateralized. The Council maintains a petty cash imprest amount of \$2,000, which is included in cash on the balance sheet.

Due to significantly higher cash flow at certain periods during the year, the amount the Council held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Investments

As of September 30, 2007, the carrying amount and market values for the investment funds are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Uncategorized pooled investment funds:		
Fifth Third Investment Management and Trust Services	\$ 1,060,396	\$ 1,060,396

The cash and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2007:

Cash and cash equivalents	\$ 880,927
Investments	<u>1,060,396</u>
	<u>\$ 1,941,323</u>

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

Note 3 - Accounts Receivable

The following is a summary of the accounts receivable for the various grant programs as of September 30, 2007:

<u>Grant</u>	<u>Amount</u>
State of Michigan	
Community Correction	\$ 46,275
Procurement	33,207
MEDC	8,000
SBDC 07/08	33,475
Trade Act	23,136
Trade JS	3,613
DOL LTC	11,673
GFGP/WTW	69,295
EDA	11,827
Michigan Prisoner Re-entry Initiative	50,704
LUTS TC Tulus	10,140
Plan Assistance	4,705
Food Assistance	2,427
Lifeways	2,468
Transportation to Work	74,693
DEQ Storm Water	651
Work First TANF	607
MI Council on Crime Delinquency	<u>54</u>
	386,950
Traverse Bay Area Intermediate School District	23,869
Other	<u>1,045</u>
	<u>\$ 411,864</u>

Note 4 - Operating Leases

The Council has entered into leases for vehicles, office equipment and office space for Michigan Works! Service Centers. The leases are treated as operating leases since the Council will not own the assets after all lease payments have been remitted. At September 30, 2007, total lease payments remaining were \$422,074.

The following is a summary of the minimum future operating lease payments for the Council as of September 30, 2007

<u>Years Ending September 30,</u>	<u>Lease Contracts Payable</u>
2008	262,586
2009	151,700
2010	7,536
2011	<u>252</u>
	<u>\$ 422,074</u>

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

Note 4 - Operating Leases (continued)

Lease commitment for office space with Oleson Foundation; monthly rent payments of \$1,992 are required until February 29, 2008.	\$ 7,968
Lease commitment for office space with Petoskey Knight of Columbus; monthly rent payments of \$6,024 are required through October 31, 2009.	150,614
Lease commitment for office space with Oleson Foundation; monthly rent payments of \$10,308 are required until April 9, 2008.	61,853
Lease commitments for office space with AC Geenen Associated, Inc.; monthly rent payments of \$4,737 are required until April 30, 2009.	89,993
Lease commitment for office space with Justin Bradley Company; monthly rent payments of \$4,886 are required until June 30, 2009.	101,496
Lease commitment for an automobile with DaimlerChrysler; monthly lease payments of \$383 are required until November 28, 2009.	5,362
Lease commitment for a postage meter with Hasler Financial; monthly lease payments of \$126 are required until November 12, 2010.	<u>4,788</u>
	<u>\$ 422,074</u>

Note 5 - Long-Term Debt

The following is a summary of the long-term debt transactions for the Council for the year ended September 30, 2007:

	<u>Notes Payable</u>	<u>Accrued Expenses</u>	<u>Total</u>
Long-term debt at September 30, 2006	\$ 404,016	\$ 233,288	\$ 637,304
Net decrease in accruals	-	(60)	(60)
Additions			
Payments	<u>(88,131)</u>	<u>-</u>	<u>(88,131)</u>
Long-term debt at September 30, 2007	<u>\$ 315,885</u>	<u>\$ 233,228</u>	<u>\$ 549,113</u>

At September 30, 2007, the Council's long-term debt consisted of the following:

Notes Payable

The Old Kent Bank loan interest rate increased to 5.425% (70% of prime) from 5.775% in October 2005, at which time the monthly payment became \$8,640. Northwestern Michigan College is the guarantor of the bank loan. In the event of cancellation of the pre-paid lease (which is permitted with adequate notice), Northwestern Michigan College will assume the loan outstanding and refund to the Council a pro-rata portion of the non-borrowed funds the Council expended.	\$ 313,839
GMAC 0% interest auto loan.	<u>2,046</u>
	<u>\$ 315,885</u>

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

Note 5 - Long-Term Debt (continued)

Accrued Expenses

Vacation pay owed to employees includes an allowance for Medicare expenses.	\$ 149,580
Terminal leave pay for accumulated sick leave owed to employees. Includes an allowance for Medicare expenses.	<u>83,648</u>
	<u>\$ 233,228</u>

The annual requirements to amortize all notes payable outstanding as of September 30, 2007, are as follows:

<u>Years Ending September 30,</u>	<u>Notes Payable</u>		<u>Auto Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 88,846	\$ 14,838	\$ 2,046	\$ -
2009	93,788	9,897	-	-
2010	99,004	4,680	-	-
2011	<u>32,201</u>	<u>321</u>	<u>-</u>	<u>-</u>
	<u>\$ 313,839</u>	<u>\$ 29,736</u>	<u>\$ 2,046</u>	<u>\$ -0-</u>

The accrued expenses for terminal leave and vacation pay are not included in the above schedule due to the unknown nature and timing of the related employee payment claim requests.

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2007 was as follows:

	<u>Sept. 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Sept. 30, 2007</u>
Computers	\$ 54,456	\$ -	\$(39,935)	\$ 14,521
Equipment	9,642	-	-	9,642
Vehicles	<u>647,878</u>	<u>-</u>	<u>-</u>	<u>647,878</u>
Totals at historical cost	711,976	-0-	(39,935)	672,041
Less accumulated depreciation for:				
Computers	(49,943)	(1,803)	39,935	(11,811)
Equipment	(4,178)	(3,214)	-	(7,392)
Vehicles	<u>(443,707)</u>	<u>(62,903)</u>	<u>-</u>	<u>(510,731)</u>
Totals for accumulated depreciation	<u>(497,828)</u>	<u>(67,920)</u>	<u>39,935</u>	<u>(497,828)</u>
Capital assets, net	<u>\$ 214,148</u>	<u>\$(67,920)</u>	<u>\$ -0-</u>	<u>\$ 146,228</u>

Capital assets with title to equipment with an acquisition cost of \$5,000 or more is to be vested in the Michigan Works Agency (MWA). Vestment of title is contingent upon MWA's operation of applicable programs. Title of equipment will vest to Office of Workforce Development upon the MWA's termination of applicable programs

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

Note 7 - Prepaid Lease

The Council has entered into an agreement with Northwest Michigan College where by the Council leases facilities from Northwest Michigan College. The lease payments related to these facilities have been prepaid by the Council covering a 15 year time period that ends 2009.

Prepaid lease	\$ 1,806,825
Amortization	<u>(1,555,879)</u>
	<u>\$ 250,946</u>

The amount reflected as prepaid lease as of September 30, 2007, represents the unamortized balance of the prepaid lease. The lease is being amortized over its fifteen year life (straight-line) in accordance with GASB #13. As of September 30, 2007, 25 months of the 180-month lease remained.

Note 8 - Retirement Plan

The Council has a retirement plan administered by Nationwide Insurance Company. It is a defined contribution retirement plan which provides benefits for all employees with immediate and complete vesting. The Council contributes an amount equal to 15.4% of gross wages, which fulfills the Council's obligation under the plan. Therefore, there are no unfunded liabilities related to the plan. For the year ended September 30, 2007, the Council had a total and covered payroll of \$1,073,429. The Council made contributions to the retirement plan in the amount of \$165,308.

Note 9 - Deferred Compensation Plan

The Council offers its employees a deferred compensation plan. The plan, available to all Council employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

Legislative change has been made to 457 plans which mandates that by no later than January 1, 1999, all existing 457 plan assets must be held in a custodial account, trust, or annuity contract for the benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employers creditors nor can they be used by the public employer for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. A trust was created effective July 1, 1997 to receive and hold assets of the plan. The plans assets are no longer required to be reported by the Council because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

Note 10 - Fund Equity Designations

Designated fund balances are used to management to designate a portion of fund equity to indicate that it is not appropriate for expenditures due to it being set aside for a specific future use.

The following is the fund balance designation as of September 30, 2007:

General Fund	
Designated for Accumulated Vacation and Sick Leave	<u>\$ 233,228</u>

Northwest Michigan Council of Governments

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

Note 11 - Reliance on Funding Sources

The Council receives all of its support from various federal, state, and local grant revenues. A significant reduction in the level of this support, if it were to occur, would have an effect on the Council's programs and activities.

Note 12 - Contract Commitments

The Council has contracts with various subcontractors to provide services under EDA, Hazard Mitigation, Employment Services, Home Stretch, Adult Ed, and WIA programs that are not completed and closed out until after year-end. Commitments outstanding at September 30, 2007 totaled \$5,662,908. The EDA, Employment Services, Adult Ed, and WIA programs had sufficient grant amounts available to cover the commitments.

Note 13 - Risk Management

The Council is exposed to various risks of loss including general and automobile liability, property damage, employee dishonesty, and workers' compensation for which the Council carries commercial insurance.

OTHER SUPPLEMENTARY INFORMATION

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2007

	WIA Admin 06/07	RR Incumbent 07/08	RR 21st Century	RR DW Scholarship
<u>Assets</u>				
Cash				
Petty Cash	\$ 600	\$ -	\$ -	\$ -
Cash and Cash Equivalents	7,692	-	-	-
Accounts Receivable				
TBAISD	-	-	-	-
State of Michigan	-	-	-	-
Other	-	-	-	-
Total Assets	<u>\$ 8,292</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ -	\$ -	\$ -	\$ -
State of Michigan	8,292	-	-	-
Other	-	-	-	-
Total Liabilities	8,292	-0-	-0-	-0-
Fund Balance				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
Total Fund Balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities and Fund Balance	<u>\$ 8,292</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>Procurement</u>	<u>MEDC</u>	<u>SBDC Host Match</u>	<u>SBTDC</u>	<u>SBDC</u>	<u>WIG/CAP Disability Navigator</u>
\$ - (5,418)	\$ - (7,208)	\$ - 8,320	\$ - 8,248	\$ - (21,159)	\$ - 668
- 33,207 592	- 8,000 -	- - -	- - -	- 33,475 -	- - -
<u>\$ 28,381</u>	<u>\$ 792</u>	<u>\$ 8,320</u>	<u>\$ 8,248</u>	<u>\$ 12,316</u>	<u>\$ 668</u>
\$ - - 28,381	\$ - - 792	\$ - - -	\$ - 8,248 -	\$ - - 12,316	\$ - - 668
28,381	792	-0-	8,248	12,316	668
-	-	8,320	-	-	-
-0-	-0-	8,320	-0-	-0-	-0-
<u>\$ 28,381</u>	<u>\$ 792</u>	<u>\$ 8,320</u>	<u>\$ 8,248</u>	<u>\$ 12,316</u>	<u>\$ 668</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2007

	Trade Job Search	Trade	Employment Services 07/08	Employment Services 06/07
<u>Assets</u>				
Cash				
Petty Cash	\$ -		\$ -	\$ -
Cash and Cash Equivalents	-	(36,462)	6,577	-
Accounts Receivable				
TBAISD	-	19,723	194	-
State of Michigan	3,613	23,136	-	-
Other	-	-	-	-
Total Assets	<u>\$ 3,613</u>	<u>\$ 6,397</u>	<u>\$ 6,771</u>	<u>\$ -0-</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ 3,226	\$ -	\$ -	\$ -
State of Michigan	-		6,771	-
Other	387	6,397	-	-
Total Liabilities	3,613	6,397	6,771	-0-
Fund Balance				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
Total Fund Balance	-0-	-0-	-0-	-0-
Total Liabilities and Fund Balance	<u>\$ 3,613</u>	<u>\$ 6,397</u>	<u>\$ 6,771</u>	<u>\$ -0-</u>

<u>Re-Employ 06/07</u>	<u>GF/GP Jet Work First</u>	<u>GF/GP Work First</u>	<u>TANF Support Services</u>	<u>WIA Statewide WF Support</u>	<u>WIA Statewide Dis. Home. 06/07</u>	<u>WIA Admin 07/08</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,318	-	(60,232)	-	59,769	-	100,343
-	-	-	-	3,000	-	-
-	-	69,295	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,318</u>	<u>\$ -0-</u>	<u>\$ 9,063</u>	<u>\$ -0-</u>	<u>\$ 62,769</u>	<u>\$ -0-</u>	<u>\$ 100,343</u>
\$ -	\$ -	\$ 9,063	\$ -	\$ -	\$ -	\$ -
1,318	-	-	-	62,769	-	100,343
-	-	-	-	-	-	-
1,318	-0-	9,063	-0-	62,769	-0-	100,343
-	-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>\$ 1,318</u>	<u>\$ -0-</u>	<u>\$ 9,063</u>	<u>\$ -0-</u>	<u>\$ 62,769</u>	<u>\$ -0-</u>	<u>\$ 100,343</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2007

	WIA Adult 07/08	MPRI CP	DOL Long Term Care	WIA Statewide One Stop 06/07
<u>Assets</u>				
Cash				
Petty Cash	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	83,760	34,142	(11,625)	-
Accounts Receivable				
TBAISD	-	-	-	-
State of Michigan	-	50,704	11,673	-
Other	-	-	193	-
Total Assets	<u>\$ 83,760</u>	<u>\$ 84,846</u>	<u>\$ 241</u>	<u>\$ -0-</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ 4,195	\$ -	\$ -	\$ -
State of Michigan	79,565	-	-	-
Other	-	84,846	241	-
Total Liabilities	83,760	84,846	241	-0-
Fund Balance				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
Total Fund Balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities and Fund Balance	<u>\$ 83,760</u>	<u>\$ 84,846</u>	<u>\$ 241</u>	<u>\$ -0-</u>

WIA Incentive 06/07	WIA Statewide One Stop 07/08	RSA Mott	RSA Kalkaska	WIA Statewide Capacity	WIA Youth 07/08	EDA 06/07
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	25,775	60	-	-	156,544	992
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -0-</u>	<u>\$ 25,775</u>	<u>\$ 60</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 156,544</u>	<u>\$ 992</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,584	\$ -
-	25,109	-	-	-	153,960	2
-	666	-	-	-	-	990
-0-	25,775	-0-	-0-	-0-	156,544	992
-	-	60	-	-	-	-
-0-	-0-	60	-0-	-0-	-0-	-0-
<u>\$ -0-</u>	<u>\$ 25,775</u>	<u>\$ 60</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 156,544</u>	<u>\$ 992</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2007

	EDA 07/08	Planning Assistance EDA	Food Stamps Support Services	Food Assistance
<u>Assets</u>				
Cash				
Petty Cash	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	(7,864)	(4,678)	160	(1,215)
Accounts Receivable				
TBAISD	-	-	-	-
State of Michigan	11,827	4,705	-	2,427
Other	-	-	-	-
Total Assets	<u>\$ 3,963</u>	<u>\$ 27</u>	<u>\$ 160</u>	<u>\$ 1,212</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ -	\$ -	\$ 158	\$ 1,212
State of Michigan	-	-	2	-
Other	3,963	27	-	-
Total Liabilities	3,963	27	160	1,212
Fund Balance				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
Total Fund Balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities and Fund Balance	<u>\$ 3,963</u>	<u>\$ 27</u>	<u>\$ 160</u>	<u>\$ 1,212</u>

<u>Adult Education</u>	<u>LUTS TC Talus</u>	<u>Transportation</u>	<u>Grand Traverse Bay Joint Planning</u>	<u>Regional Planning</u>	<u>On-Site Wastewater Task Force</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	(10,134)	(56,764)	-	88,514	(561)
-	-	-	-	-	-
-	10,140	74,693	-	-	651
-	-	-	-	-	-
<u>\$ -0-</u>	<u>\$ 6</u>	<u>\$ 17,929</u>	<u>\$ -0-</u>	<u>\$ 88,514</u>	<u>\$ 90</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	6	17,929	-	557	90
-0-	6	17,929	-0-	557	90
-	-	-	-	87,957	-
-0-	-0-	-0-	-0-	87,957	-0-
<u>\$ -0-</u>	<u>\$ 6</u>	<u>\$ 17,929</u>	<u>\$ -0-</u>	<u>\$ 88,514</u>	<u>\$ 90</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2007

	<u>MI Council on Crime Delinquency</u>	<u>MPRI Temp</u>	<u>Community Corrections</u>	<u>Lifeways</u>
<u>Assets</u>				
Cash				
Petty Cash	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	1,874	2,155	15,941	1,650
Accounts Receivable				
TBAISD	-	-	-	-
State of Michigan	54	-	46,275	2,468
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,928</u>	<u>\$ 2,155</u>	<u>\$ 62,216</u>	<u>\$ 4,118</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable				
TBAISD	\$ -	\$ -	\$ -	\$ -
State of Michigan	-	2,155	-	-
Other	1,928	-	62,216	4,118
	<u>1,928</u>	<u>-</u>	<u>62,216</u>	<u>4,118</u>
Total Liabilities	1,928	2,155	62,216	4,118
Fund Balance				
Unreserved				
Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities and Fund Balance	<u>\$ 1,928</u>	<u>\$ 2,155</u>	<u>\$ 62,216</u>	<u>\$ 4,118</u>

Probation RS	Rotary Team Work	Kal-Tec Rotary Charities	Disability Loan Fund	Loan Fund	Quality Life
\$ - 12,056	\$ 1,000 551	\$ 200 46,574	\$ - 15,890	\$ - 12,518	\$ - 3,951
- - -	- - -	- - -	- - -	- - -	- - -
<u>\$ 12,056</u>	<u>\$ 1,551</u>	<u>\$ 46,774</u>	<u>\$ 15,890</u>	<u>\$ 12,518</u>	<u>\$ 3,951</u>
\$ - 86 11,970	\$ - - 42	\$ - - 408	\$ - - -	\$ - - -	\$ - - -
12,056	42	408	-0-	-0-	-0-
-	1,509	46,366	15,890	12,518	3,951
-0-	1,509	46,366	15,890	12,518	3,951
<u>\$ 12,056</u>	<u>\$ 1,551</u>	<u>\$ 46,774</u>	<u>\$ 15,890</u>	<u>\$ 12,518</u>	<u>\$ 3,951</u>

Northwest Michigan Council of Governments

Governmental Funds Balance Sheet

September 30, 2007

	<u>United Way Impact</u>	<u>Total</u>
<u>Assets</u>		
Cash		
Petty Cash	\$ -	\$ 1,800
Cash and Cash Equivalents	4,857	477,579
Accounts Receivable		
TBAISD	-	22,917
State of Michigan	-	386,343
Other	-	785
Total Assets	<u>\$ 4,857</u>	<u>\$ 889,424</u>
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts Payable		
TBAISD	\$ -	\$ 20,438
State of Michigan	-	448,620
Other	-	238,938
Total Liabilities	-0-	707,996
Fund Balance		
Unreserved		
Undesignated, Reported in:		
Special Revenue Funds	<u>4,857</u>	<u>181,428</u>
Total Fund Balance	<u>4,857</u>	<u>181,428</u>
Total Liabilities and Fund Balance	<u>\$ 4,857</u>	<u>\$ 889,424</u>

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2007

	WIA Admin 06/07	RR Incumbent 07/08	RR 21st Century	RR DW Scholarship
<u>Revenues</u>				
Grants	\$ 289,786	\$ 91,794	\$ 50,000	\$ 50,390
Interest Earned	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	289,786	91,794	50,000	50,390
<u>Expenditures</u>				
Administration	289,786	-	-	-
Training	-	91,794	50,000	50,390
Services	-	-	-	-
Intensive	-	-	-	-
Core Services	-	-	-	-
Procurement	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	289,786	91,794	50,000	50,390
Excess of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Period	<hr/> -	<hr/> -	<hr/> -	<hr/> -
Fund Balances, End of Period	<hr/> <u>\$ -0-</u>	<hr/> <u>\$ -0-</u>	<hr/> <u>\$ -0-</u>	<hr/> <u>\$ -0-</u>

<u>Procurement</u>	<u>MEDC</u>	<u>SBDC Host Match</u>	<u>SBTDC</u>	<u>SBDC</u>	<u>WIG/CAP Disability Navigator</u>
\$ 150,000	\$ 40,000	\$ -	\$ 34,759	\$ 99,151	\$ 10,000
-	-	-	-	-	-
-	-	7,876	-	-	24,468
150,000	40,000	7,876	34,759	99,151	34,468
-	-	-	-	-	523
-	-	-	-	-	-
-	40,000	2,819	34,759	99,151	33,945
-	-	-	-	-	-
-	-	-	-	-	-
150,000	-	-	-	-	-
150,000	40,000	2,819	34,759	99,151	34,468
-0-	-0-	5,057	-0-	-0-	-0-
-	-	3,263	-	-	-
\$ -0-	\$ -0-	\$ 8,320	\$ -0-	\$ -0-	\$ -0-

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2007

	Trade Job Search	Trade	Employment Services 07/08	Employment Services 06/07
<u>Revenues</u>				
Grants	\$ 8,794	\$ 407,747	\$ 118,964	\$ 372,500
Interest Earned	-	-	-	-
Other	-	-	-	-
Total Revenues	8,794	407,747	118,964	372,500
<u>Expenditures</u>				
Administration	-	39,072	-	-
Training	-	368,675	-	-
Services	8,794	-	118,964	372,500
Intensive	-	-	-	-
Core Services	-	-	-	-
Procurement	-	-	-	-
Total Expenditures	8,794	407,747	118,964	372,500
Excess of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Period	-	-	-	-
Fund Balances, End of Period	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Re-Employ 06/07	GF/GP Jet Work First	GF/GP Work First	TANF Support Services	WIA Statewide WF Support	WIA Statewide Dis. Home. 06/07	WIA Admin 07/08
\$ -	\$ 29,063	\$ 318,051	\$ 90,401	\$ -	\$ 12,076	\$ 102,645
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-0-	29,063	318,051	90,401	-0-	12,076	102,645
-	1,236	23,642	-	-	-	102,645
-	-	-	-	-	-	-
-	27,827	294,409	90,401	-	-	-
-	-	-	-	-	3,196	-
-	-	-	-	-	8,880	-
-	-	-	-	-	-	-
-0-	29,063	318,051	90,401	-0-	12,076	102,645
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2007

	WIA Adult 07/08	MPRI CP	DOL Long Term Care	WIA Statewide One Stop 06/07
<u>Revenues</u>				
Grants	\$ 265,057	\$ 647,151	\$ 11,673	\$ 104,146
Interest Earned	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	265,057	647,151	11,673	104,146
<u>Expenditures</u>				
Administration	-	68,055	-	-
Training	129,331	-	-	-
Services	-	579,096	11,673	104,146
Intensive	38,471	-	-	-
Core Services	97,255	-	-	-
Procurement	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	265,057	647,151	11,673	104,146
Excess of revenues over (Under) Expenditures	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Period	-	-	-	-
Fund Balances, End of Period	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

WIA Incentive 06/07	WIA Statewide One Stop 07/08	RSA Mott	RSA Kalkaska	WIA Statewide Capacity	WIA Youth 07/08	EDA 06/07
\$ 40,645	\$ 20,550	\$ -	\$ 22,007	\$ 8,882	\$ 359,523	\$ 26,293
-	-	-	-	-	-	-
-	-	-	-	-	-	22,126
40,645	20,550	-0-	22,007	8,882	359,523	48,419
-	-	-	-	178	-	-
-	-	-	-	-	-	-
40,645	20,550	-	22,007	8,704	359,523	48,419
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
40,645	20,550	-0-	22,007	8,882	359,523	48,419
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-	-	60	-	-	-	-
\$ -0-	\$ -0-	\$ 60	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2007

	EDA 07/08	Planning Assistance EDA	Food Stamps Support Services	Food Assistance
<u>Revenues</u>				
Grants	\$ 11,827	\$ 4,705	\$ 605	\$ 81,227
Interest Earned	-	-	-	-
Other	-	-	-	-
Total Revenues	11,827	4,705	605	81,227
<u>Expenditures</u>				
Administration	-	-	-	13,015
Training	-	-	-	-
Services	11,827	4,705	605	68,212
Intensive	-	-	-	-
Core Services	-	-	-	-
Procurement	-	-	-	-
Total Expenditures	11,827	4,705	605	81,227
Excess of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Period	-	-	-	-
Fund Balances, End of Period	\$ -0-	\$ -0-	\$ -0-	\$ -0-

<u>Adult Education</u>	<u>LUTS TC Talus</u>	<u>Transportation</u>	<u>Grand Traverse Bay Joint Planning</u>	<u>Regional Planning</u>	<u>On-Site Wastewater Task Force</u>
\$ 176,040	\$ 12,798	\$ 387,935	\$ 11,551	\$ 71,734	\$ 3,151
-	-	-	-	-	-
-	15,834	-	-	16,312	-
176,040	28,632	387,935	11,551	88,046	3,151
7,290	-	-	-	-	-
-	-	-	-	-	-
168,750	28,632	387,935	11,551	47,418	3,151
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
176,040	28,632	387,935	11,551	47,418	3,151
-0-	-0-	-0-	-0-	40,628	-0-
-	-	-	-	47,329	-
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 87,957</u>	<u>\$ -0-</u>

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and

Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2007

	<u>MI Council on Crime Delinquency</u>	<u>MPRI Temp</u>	<u>Community Corrections</u>	<u>Lifeways</u>
<u>Revenues</u>				
Grants	\$ -	\$ -	\$ 390,103	\$ 12,468
Interest Earned	-	-	-	-
Other	15,054	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	15,054	-0-	390,103	12,468
<u>Expenditures</u>				
Administration	-	-	52,061	-
Training	-	-	-	-
Services	15,054	-	338,042	12,468
Intensive	-	-	-	-
Core Services	-	-	-	-
Procurement	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	15,054	-0-	390,103	12,468
Excess of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Period	-	-	-	-
Fund Balances, End of Period	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>Probation RS</u>	<u>Rotary Team Work</u>	<u>Kal-Tec Rotary Charities</u>	<u>Disability Loan Fund</u>	<u>Loan Fund</u>	<u>Quality Life</u>
\$ 140,268	\$ -	\$ 50,063	\$ -	\$ -	\$ -
-	-	-	133	264	-
-	-	5,681	2,419	2,988	-
140,268	-0-	55,744	2,552	3,252	-0-
-	-	-	-	-	-
-	-	-	-	-	-
140,268	14,997	65,390	76	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
140,268	14,997	65,390	76	-0-	-0-
-0-	(14,997)	(9,646)	2,476	3,252	-0-
-	16,506	56,012	13,414	9,266	3,951
<u>\$ -0-</u>	<u>\$ 1,509</u>	<u>\$ 46,366</u>	<u>\$ 15,890</u>	<u>\$ 12,518</u>	<u>\$ 3,951</u>

Northwest Michigan Council of Governments

Statement of Revenues, Expenditures and

Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2007

	<u>United Way Impact</u>	<u>Total</u>
<u>Revenues</u>		
Grants	\$ -	\$ 5,136,523
Interest Earned	-	397
Other	<u>28,261</u>	<u>141,019</u>
Total Revenues	28,261	5,277,939
<u>Expenditures</u>		
Administration	2,708	600,211
Training	-	690,190
Services	36,669	3,674,082
Intensive	-	41,667
Core Services	-	106,135
Procurement	<u>-</u>	<u>150,000</u>
Total Expenditures	<u>39,377</u>	<u>5,262,285</u>
Excess of Revenues Over (Under) Expenditures	(11,116)	15,654
Fund Balances, Beginning of Period	<u>15,973</u>	<u>165,774</u>
Fund Balances, End of Period	<u><u>\$ 4,857</u></u>	<u><u>\$ 181,428</u></u>

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2007

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF LABOR		
Passed through the Michigan Department of Labor and Economic Growth		
Workforce Investment Act	17.258 ^{(1) (3)}	
Adult		
PY06		\$ 975,477
PY07		265,057
Administration		
PY06		86,936
PY07		28,741
Displaced Homemaker		3,101
One-Stop		
PY06		26,745
PY07		4,854
Incentive		10,438
Regional Skills Alliance		5,651
Capacity Building		<u>2,281</u>
		1,409,281
 Workforce Investment Act	 17.259 ^{(1) (3)}	
Youth		
PY06		827,313
PY07		359,523
Administration		
PY06		92,732
PY07		30,794
Displaced Homemaker		
One-Stop		3,368
PY06		29,046
PY07		5,277
Incentive		11,336
Regional Skills Alliance		6,138
Capacity Building		<u>2,477</u>
		1,368,004
 Workforce Investment Act	 17.260 ^{(1) (3)}	
Dislocated Worker		
PY06		1,216,218
PY07		305,493
Administration		
PY06		110,118
PY07		43,111
RR Incumbent		<u>91,794</u>

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2007

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF LABOR - CONTINUED		
Passed through the Michigan Department of Labor and Economic Growth - continued		
Workforce Investment Act - continued	17.260 ^{(1) (3)}	
RR 21 st Century		\$ 50,000
RR Scholarship		50,390
Displaced Homemaker		
One-Stop		5,607
PY06		48,355
PY07		10,419
Incentive		18,871
Regional Skills Alliance		10,218
Capacity Building		<u>4,124</u>
		1,964,718
U.S. DEPARTMENT OF LABOR		
Passed through the Michigan Department of Labor and Economic Growth		
Work Incentive Act	17.266	
Capacity Building		10,000
U.S. DEPARTMENT OF LABOR		
Direct Program		
Workforce Investment Act	17.268	
Long Term Health Care		11,673
Employment Services	17.207 ⁽¹⁾	
Employment Services		
PY06		372,500
PY07		<u>118,964</u>
		491,464
TAA/NAFTA	17.245	
Trade Act		407,747
Job Search		<u>8,794</u>
		<u>416,541</u>
TOTAL U.S. DEPARTMENT OF LABOR		5,671,681
U.S. DEPARTMENT OF EDUCATION		
Passed through Michigan Department of Education		
Adult Education and Family Literacy	84.002A	
Regular		176,040

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2007

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through the U.S. Small Business Administration and Grand Valley State University SBDC Regional Center	59.037	
FY06		\$ 34,759
FY07		<u>99,151</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		133,910
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through the Family Independence Agency and the Michigan Department of Labor and Economic Growth Temporary Assistance for Needy Families	93.558 ⁽¹⁾	
Work First FY07		1,125,407
Supportive Services		<u>90,401</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		1,215,808
U.S. DEPARTMENT OF AGRICULTURE		
Passed through the Michigan Department of Labor and Economic Growth	10.561	
Food Stamps Employment and Training FY07		81,227
Food Stamps Supportive Services FY07		<u>605</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		81,832
U.S. DEPARTMENT OF DEFENSE		
Passed through the Defense Logistics Agency Procurement - Technical Assistance FY07	12.002	
		150,000
U.S. DEPARTMENT OF COMMERCE		
Passed through the Economic Development Administration	11.302	
Economic Development - Support for Planning Organizations		
District Continuation Grant 06/07		26,293
District Continuation Grant 07/08		11,827
Planning Assistance		<u>4,705</u>
		42,825
Passed through the National Oceanic and Atmospheric Administration	11.419	
Coastal Zone Management		
Grand Traverse Bay JPO FY06/07		<u>11,551</u>
TOTAL U.S. DEPARTMENT OF COMMERCE		54,376

Northwest Michigan Council of Governments

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2007

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Passed through the Michigan Department of Transportation	20.205 ⁽¹⁾	
Highway Planning and Construction		
FY07 - M-119		21,676
FY07 - M-22		21,676
FY07 - Non-Motorized		20,000
FY07 - Petoskey roads		166,743
FY07 - Cadillac AM		<u>1,600</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>231,695</u>
TOTAL FEDERAL AWARDS ⁽²⁾		<u>\$ 7,715,342</u>

⁽¹⁾ Program is considered a "major" program.

⁽²⁾ The following reconciles the Federal expenditures to the grant revenues reported in the fund financial statements:

Federal expenditures per schedule	\$ 7,715,342
Non-Federal grant revenues reported in the fund financial statements	<u>1,871,089</u>
	<u>\$ 9,586,431</u>

⁽³⁾ Denotes programs required to be clustered by the United States Department of Labor.

Northwest Michigan Council of Governments

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2007

NOTE A: BASIS OF PRESENTATION

The Northwest Michigan Council of Governments (NWMCOG), as a governmental organization reports on the modified accrual basis of accounting for financial statement presentation in accordance with accounting principles generally accepted in the United States of America.

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of NWMCOG, and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

745 Barclay Circle, Suite 335
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Northwest Michigan Council of Governments
Traverse City, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Michigan Council of Governments as of and for the year ended September 30, 2007, which collectively comprise Northwest Michigan Council of Governments basic financial statements and have issued our report thereon dated June 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Michigan Council of Governments' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as identified above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the administration, the Board of Directors of Northwest Michigan Council of Governments, the pass-through entities, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 19, 2008

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

745 Barclay Circle, Suite 335
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
Northwest Michigan Council of Governments
Traverse City, Michigan

Compliance

We have audited the compliance of Northwest Michigan Council of Governments with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to each of its major Federal programs for the year ended September 30, 2007. Northwest Michigan Council of Governments' major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Northwest Michigan Council of Governments' management. Our responsibility is to express an opinion on Northwest Michigan Council of Governments' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Northwest Michigan Council of Governments' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northwest Michigan Council of Governments' compliance with those requirements.

In our opinion, Northwest Michigan Council of Governments complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending September 30, 2007.

Internal Control Over Compliance

The management of Northwest Michigan Council of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Northwest Michigan Council of Governments' internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of Northwest Michigan Council of Governments, the pass-through grantors, and the Federal awarding agencies and is not intended to be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 19, 2008

Northwest Michigan Council of Governments

SCHEDULE OF FINDINGS

Year Ended September 30, 2007

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no significant deficiencies disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material effect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We disclosed no significant deficiencies or instances of noncompliance related to the major programs tested.

The major programs tested to cover a minimum 25 percent of the total Federal expenditures were the Workforce Investment Act (WIA) Program Cluster (CFDA 17.258-17.260), the Employment Services (CFDA 17.207), the Temporary Assistance for Needy Families (TANF) (CFDA 93.558), and the Highway Planning and Construction (CFDA 20.205) programs. Total Federal expenditures for the year ended September 30, 2007 for the major programs tested were \$6,680,970, which is approximately 87 percent of the total Federal expenditures. Based on the criteria of OMB Circular A-133, Northwest Michigan Council of Governments did not qualify as a low-risk auditee for the year September 30, 2007.

The Council had four (4) Type A programs. Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls over the Combined Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

None

Northwest Michigan Council of Governments
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2007

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls over the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.